

**MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
MOUNT VERNON, IOWA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

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MOUNT VERNON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Education</u>		
Thomas Wieseler	President	2013
Bob Penn	Vice President	2011
John Cochrane	Board Member	2013
Paul Morf	Board Member	2013
Deb Herrmann	Board Member	2011
Jeff Walberg	Board Member	2011
Ann Stoner	Board Member	2011
<u>School Officials</u>		
Pam Ewell	Superintendent	2011
Matt Burke	District Secretary/Treasurer and Business Manager	2011
Brian Gruhn	Attorney	Indefinite

## INDEPENDENT AUDITOR'S REPORT

To the Board of Education of  
Mount Vernon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mount Vernon Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2011 on our consideration of Mount Vernon Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 16 and 54 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Mount Vernon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2010 (which are not presented herein). For the five years ended June 30, 2009, we expressed unqualified opinions on those financial statements. For the year ended June 30, 2005, we expressed an adverse opinion on the financial statements due to the omission of the discretely presented component unit and unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. Other supplementary information included in Schedules 1 through 11, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of District management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

Oskaloosa, Iowa  
December 6, 2011

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Mount Vernon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$10,218,007 in fiscal 2010 to \$11,576,699 in fiscal 2011, while General Fund expenditures decreased from \$10,474,592 in fiscal 2010 to \$10,377,080 in fiscal 2011. The District's General Fund balance increased from \$272,555 in fiscal 2010 to \$1,478,163 in fiscal 2011.
- The decrease in General Fund expenditures was due primarily to cost saving measures implemented by the district as the State of Iowa is reducing state funding in the 2011-2012 and 2012-2013 school years.
- The increase in General Fund revenues was due primarily to funding received from the Education Jobs Fund and an increase in the property tax cash reserve levy.
- In 2011 the District began a facility renovation project at the elementary school building primarily for the replacement of some of the heating and cooling systems and construction of additional classrooms.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Mount Vernon Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Mount Vernon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The Fiduciary Fund statements provide financial information about activities for which Mount Vernon Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Mount Vernon Community School District Annual Financial Report***

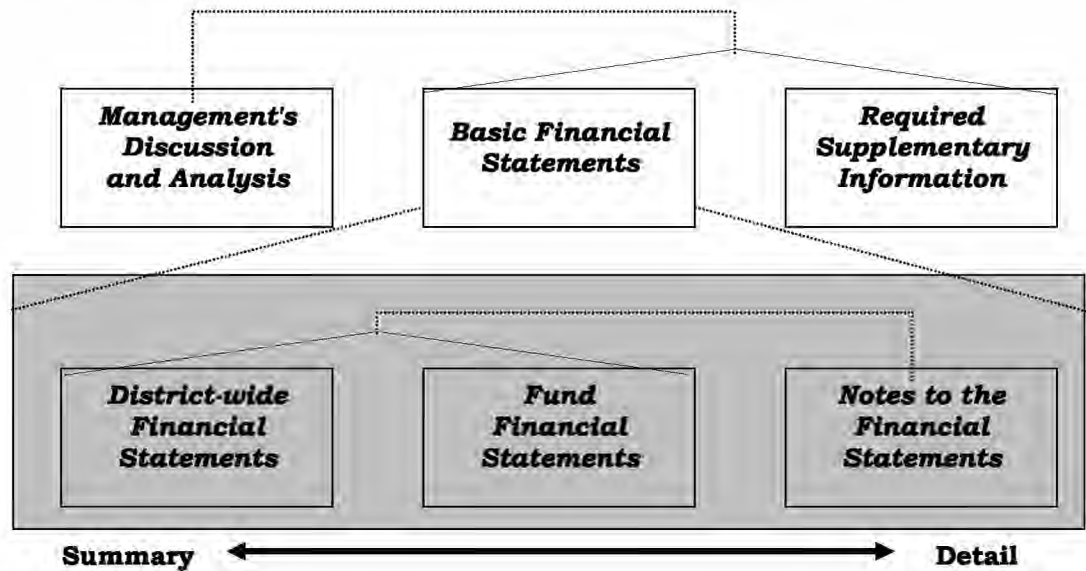




Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

#### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Daycare Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds – These are funds through which the District administers and accounts for employee wellness program funds.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 as compared to June 30, 2010.

Figure A-3  
Condensed Statement of Net Assets  
(Expressed in Thousands)

	Governmental Activities June 30,		Business type Activities June 30,		Total District June 30,		Total Change June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current and other assets	\$13,919	\$13,772	\$92	\$66	\$14,011	\$13,838	\$173
Capital assets	19,742	18,499	131	145	19,873	18,644	1,229
Total assets	33,661	32,271	223	211	33,884	32,482	1,402
Long-term liabilities	15,823	16,482	-	-	15,823	16,482	-659
Other liabilities	5,987	5,749	23	23	6,010	5,771	239
Total liabilities	21,810	22,231	23	23	21,833	22,253	-420
Net assets:							
Invested in capital assets,							
Net of related debt	6,820	6,500	131	145	6,951	6,645	306
Restricted	3,534	3,212	-	-	3,534	3,212	322
Unrestricted	1,497	329	69	43	1,566	372	1,194
Total net assets	\$11,851	\$10,041	\$200	\$188	\$12,051	\$10,229	\$1,822

The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net assets represent the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements.

Figure A-4 shows the change in net assets for the year ended June 30, 2011 as compared to June 30, 2010.

Figure A-4  
Changes in Net Assets  
(Expressed in Thousands)

	<u>Governmental Activities</u> June 30, 2011 2010		<u>Business type Activities</u> June 30, 2011 2010		<u>Total District</u> June 30, 2011 2010		<u>Total Change</u> June 30, 2010-2011
Revenues:							
Program revenues:							
Charges for service	\$2,188	\$1,817	\$619	\$539	\$2,807	\$2,356	19.1%
Operating grants, contributions and restricted interest	1,572	1,888	169	158	1,741	2,046	-14.9%
Capital grants, contributions and restricted interest	-	3	-	10	-	13	-100.0%
General revenues:							
Property tax	4,118	3,521	-	-	4,118	3,521	20.0%
Local option sales and service tax	989	1,104	-	-	989	1,104	-10.4%
Unrestricted state grants	4,884	4,197	-	-	4,884	4,197	16.4%
Unrestricted investment earnings	29	34	-	-	29	34	-14.7%
Other	366	405	-	-	366	405	-9.6%
Total revenues	14,146	12,969	788	707	14,934	13,676	9.2%
Program expenses:							
Governmental activities:							
Instruction	7,338	7,355	-	-	7,338	7,355	-.2%
Support services	3,409	3,815	17	21	3,426	3,836	-10.7%
Non-instructional programs	-	-	759	717	759	717	5.9%
Other expenses	1,589	1,519	-	-	1,589	1,519	4.6%
Total expenses	12,336	12,689	776	738	13,112	13,427	-2.3%
Special item	-	28	-	-	-	28	-100.0%
Change in net assets	\$1,810	\$308	\$12	\$(31)	\$1,822	\$278	555.4%

Property tax and unrestricted state grants account for 64% of the total governmental activities revenue. The District's expenses primarily relate to instruction and support services, which account for 87% of the total governmental activities expenses.

Overall net assets increased approximately \$1,822,454 for the current year.

### **Governmental Activities**

Revenues for governmental activities were \$14,145,979 and expenses were \$12,335,767.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5  
Total and Net Cost of Governmental Activities  
(Expressed in Thousands)

	Total Cost of Services		Net Cost of Services	
	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>
Instruction	\$7,355	\$7,338	\$4,523	\$4,292
Support services	3,815	3,409	3,375	3,149
Non-instructional programs	-	-	-	-
Other expenses	1,519	1,589	1,082	1,135
Totals	\$12,689	\$12,336	\$8,980	\$8,576

The cost financed by users of the District's programs was \$2,187,722.

- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,572,472.
- The net cost of governmental activities was financed with \$5,404,424 in property and other taxes and \$4,883,854 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$788,332 and expenses were \$776,090. The District's business type activities include the School Nutrition Fund and Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

During the year ended June 30, 2011, the School Board approved an increase in meal prices for the 2010-2011 fiscal year to offset increasing food costs in the Nutrition Program.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Mount Vernon Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$7,829,510 as compared to last year's ending fund balances of \$7,841,941.

**Governmental Fund Highlights**

- General Fund revenues increased from \$10,218,007 in fiscal 2010 to \$11,576,699 in fiscal 2011, while General Fund expenditures decreased from \$10,474,592 in fiscal 2010 to \$10,377,080 in fiscal 2011. The District's General Fund balance increased from \$272,555 in fiscal 2010 to \$1,478,163 in fiscal 2011.
- The decrease in General Fund expenditures was due primarily to cost saving measures implemented by the district as the State of Iowa is reducing state funding in the 2011-2012 and 2012-2013 school years.
- The increase in General Fund revenues was due primarily to funding received from the Education Jobs Fund and an increase in the property tax cash reserve levy.
- In 2011 the District began a facility renovation project at the elementary school building primarily for the replacement of some of the heating and cooling systems and construction of additional classrooms.

## BUDGETARY HIGHLIGHTS

No functional budget areas of the annual budget were exceeded at year end.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2011, the District had invested \$19.9 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$710,815.

The original cost of the District's capital assets was \$25.7 million primarily in the governmental funds.

Figure A-6

Capital Assets, net of Depreciation  
(Expressed in Thousands)

	Governmental Activities June 30, <u>2011</u> <u>2010</u>		Business type Activities June 30, <u>2011</u> <u>2010</u>		Total District June 30, <u>2011</u> <u>2010</u>		Total Change June 30, <u>2010-2011</u>
Land	\$358	\$358	-	-	\$358	\$358	\$-
Construction in progress	1,016	812	-	-	1,016	812	204
Buildings	17,699	16,657	-	-	17,699	16,657	1,042
Improvements other than buildings	235	249	-	-	235	249	-14
Furniture and equipment	434	423	131	145	565	568	-3
Totals	\$19,742	\$18,499	\$131	\$145	\$19,873	\$18,644	\$1,229

### Long-Term Debt

At June 30, 2011, the District had \$15,823,171 in general obligation debt and capital loan notes outstanding. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Figure A-7  
Outstanding Long-Term Obligations  
(Expressed in Thousands)

	Total District June 30, <u>2011</u> <u>2010</u>		Total Change June 30, <u>2010-2011</u>
General obligation bonds	\$6,585	\$6,960	\$-375
Local sales tax bonds	8,685	8,685	-
Energy Loan Notes	320	375	-55
Capital Loan Notes	-	245	-245
Early retirement	222	211	11
OPEB liability	11	6	5

Totals	\$15,823	\$16,482	\$-659
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### **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- The Iowa State Legislature had set the allowable growth percentage for State of Iowa student funding for the 2011-2012 school year at 0% and for the 2012-2013 school year at 2%.

### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Matt Burke, School District Secretary/Treasurer, Mount Vernon Community School District, 525 Palisades Road SW, Mount Vernon, Iowa, 52314.



## Basic Financial Statements

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 8,709,172	\$ 106,905	\$ 8,816,077
Receivables:			
Property tax:			
Current year	45,712	-	45,712
Succeeding year	4,341,606	-	4,341,606
Income surtax	293,472	-	293,472
Accounts	5,498	-	5,498
Due from other governments	506,820	-	506,820
Interfund balances (note 3)	17,120	(17,120)	-
Inventories	-	3,199	3,199
Capital assets, net of accumulated depreciation (note 5)	19,741,943	130,816	19,872,759
<b>Total assets</b>	<b>33,661,343</b>	<b>223,800</b>	<b>33,885,143</b>
<b>Liabilities</b>			
Accounts payable	602,513	796	603,309
Salaries and benefits payable	852,299	11,830	864,129
Accrued interest payable	191,090	-	191,090
Deferred revenue:			
Succeeding year property tax	4,341,606	-	4,341,606
Other	-	10,795	10,795
Long-term liabilities (note 6):			
Portion due within one year:			
Early retirement	88,549	-	88,549
Bonds payable	900,000	-	900,000
Notes payable	60,000	-	60,000
Portion due after one year:			
Early retirement	133,622	-	133,622
Bonds payable	14,370,000	-	14,370,000
Notes payable	260,000	-	260,000
Net OPEB liability	11,000	-	11,000
<b>Total liabilities</b>	<b>21,810,679</b>	<b>23,421</b>	<b>21,834,100</b>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS

June 30, 2011

	Governmental Activities	Business-type Activities	Total
Net Assets			
Invested in capital assets, net of related debt	\$ 6,820,145	\$ 130,816	\$ 6,950,961
Restricted for:			
Categorical funding (note 13)	75,383	-	75,383
Physical plant and equipment levy	22,809	-	22,809
Student activities	88,277	-	88,277
Debt service	1,490,061	-	1,490,061
Capital projects	1,857,256	-	1,857,256
Unrestricted	1,496,733	69,563	1,566,296
Total net assets	\$ 11,850,664	\$ 200,379	\$ 12,051,043

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities:			
Instruction	\$ 7,337,752	\$ 2,168,483	\$ 877,412
Support services:			
Student services	405,284	-	226,533
Instructional staff services	583,440	-	11,915
Administration services	1,341,528	12,321	1,500
Operation and maintenance of plant services	720,619	3,000	-
Transportation services	358,222	3,918	654
	3,409,093	19,239	240,602
Other expenditures:			
Facilities acquisition	75,051	-	31,120
Long-term debt interest and fiscal charges	666,080	-	-
AEA flowthrough	423,338	-	423,338
Depreciation (unallocated) *	424,453	-	-
	1,588,922	-	454,458
Total governmental activities	12,335,767	2,187,722	1,572,472
Business-Type Activities:			
Support services:			
Administration services	17,452	-	-
Non-instructional programs:			
Food service operations	613,162	475,402	169,330
Daycare operations	97,131	95,490	-
Summer daycare operations	48,345	48,058	-
	758,638	618,950	169,330
Total business-type activities	776,090	618,950	169,330
Total	\$ 13,111,857	\$ 2,806,672	\$ 1,741,802

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (4,291,857)	\$ -	\$ (4,291,857)
(178,751)	-	(178,751)
(571,525)	-	(571,525)
(1,327,707)	-	(1,327,707)
(717,619)	-	(717,619)
(353,650)	-	(353,650)
(3,149,252)	-	(3,149,252)
(43,931)	-	(43,931)
(666,080)	-	(666,080)
-	-	-
(424,453)	-	(424,453)
(1,134,464)	-	(1,134,464)
(8,575,573)	-	(8,575,573)
-	(17,452)	(17,452)
-	31,570	31,570
-	(1,641)	(1,641)
-	(287)	(287)
-	29,642	29,642
-	12,190	12,190
(8,575,573)	12,190	(8,563,383)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Functions/Programs

---

General revenues:

Property tax levied for:  
    General purposes  
    Debt service  
    Capital outlay  
Income surtax  
Statewide sales, services and use tax  
Unrestricted state and federal grants  
Unrestricted investment earnings  
Other

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

\* = This amount excludes the depreciation included  
    in the direct expenses of the various programs.

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ 3,040,473	\$ -	\$ 3,040,473
690,066	-	690,066
387,574	-	387,574
297,387	-	297,387
988,924	-	988,924
4,883,854	-	4,883,854
28,988	52	29,040
68,519	-	68,519
10,385,785	52	10,385,837
1,810,212	12,242	1,822,454
10,040,452	188,137	10,228,589
<u>\$ 11,850,664</u>	<u>\$ 200,379</u>	<u>\$ 12,051,043</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>					
Cash and pooled investments	\$ 2,136,117	\$ 678,825	\$ 5,760,987	\$ 133,243	\$ 8,709,172
Receivables:					
Property tax:					
Current year	31,796	7,987	4,485	1,444	45,712
Succeeding year	2,993,017	686,074	406,806	255,709	4,341,606
Income surtax	293,472	-	-	-	293,472
Interfund receivable (note 3)	19,434	-	-	-	19,434
Accounts	5,498	-	-	-	5,498
Due from other governments	315,859	-	190,961	-	506,820
<b>Total assets</b>	<u>\$ 5,795,193</u>	<u>\$ 1,372,886</u>	<u>\$ 6,363,239</u>	<u>\$ 390,396</u>	<u>\$ 13,921,714</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 178,242	\$ -	\$ 413,827	\$ 10,444	\$ 602,513
Salaries and benefits payable	852,299	-	-	-	852,299
Interfund payable (note 3)	-	-	-	2,314	2,314
<b>Deferred revenue:</b>					
Succeeding year property tax	2,993,017	686,074	406,806	255,709	4,341,606
Other	293,472	-	-	-	293,472
Total liabilities	<u>4,317,030</u>	<u>686,074</u>	<u>820,633</u>	<u>268,467</u>	<u>6,092,204</u>
<b>Fund balances:</b>					
<b>Restricted for:</b>					
Categorical funding (note 13)	75,383	-	-	-	75,383
Revenue bonds sinking fund	-	675,430	-	-	675,430
Debt service	-	11,382	828,909	-	840,291
Management levy purposes	-	-	-	33,652	33,652
Student activities	-	-	-	88,277	88,277
School infrastructure	-	-	4,690,888	-	4,690,888
Physical plant and equipment	-	-	22,809	-	22,809
Unassigned	1,402,780	-	-	-	1,402,780
Total fund balances	<u>1,478,163</u>	<u>686,812</u>	<u>5,542,606</u>	<u>121,929</u>	<u>7,829,510</u>
Total liabilities and fund balances	<u>\$ 5,795,193</u>	<u>\$ 1,372,886</u>	<u>\$ 6,363,239</u>	<u>\$ 390,396</u>	<u>\$ 13,921,714</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 June 30, 2011

Total fund balances of governmental funds	\$ 7,829,510
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	19,741,943
Other long-term assets, including income surtax receivable, are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	293,472
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(191,090)
Long-term liabilities, including bonds and notes payable, early retirement payable, and net OPEB liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(15,823,171)</u>
Net assets of governmental activities	<u>\$ 11,850,664</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Revenues:					
Local sources:					
Local tax	\$ 3,211,249	\$ 689,770	\$ 1,376,332	\$ 132,031	\$ 5,409,382
Tuition	1,690,633	-	-	-	1,690,633
Other	253,939	1,539	53,463	316,414	625,355
State sources	5,789,015	296	166	59	5,789,536
Federal sources	631,863	-	-	-	631,863
Total revenues	11,576,699	691,605	1,429,961	448,504	14,146,769
Expenditures:					
Current:					
Instruction	6,923,871	-	-	280,029	7,203,900
Support services:					
Student services	405,284	-	-	-	405,284
Instructional staff services	446,155	-	183,759	-	629,914
Administration services	1,149,428	-	86,283	145,607	1,381,318
Operation and maintenance of plant services	719,689	-	-	-	719,689
Transportation services	309,315	-	74,353	10,974	394,642
	3,029,871	-	344,395	156,581	3,530,847
Other expenditures:					
Facilities acquisition	-	-	1,738,194	-	1,738,194
Long term debt:					
Principal	-	675,000	-	-	675,000
Interest and fiscal charges	-	593,814	96	-	593,910
AEA flowthrough	423,338	-	-	-	423,338
	423,338	1,268,814	1,738,290	-	3,430,442
Total expenditures	10,377,080	1,268,814	2,082,685	436,610	14,165,189
Excess (deficiency) of revenues over (under) expenditures	1,199,619	(577,209)	(652,724)	11,894	(18,420)

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	General	Debt Service	Capital Projects	Nonmajor	Total
Other financing sources (uses):					
Sale of equipment	\$ 5,989	\$ -	\$ -	\$ -	\$ 5,989
Interfund transfers in (note 4)	-	1,163,508	-	-	1,163,508
Interfund transfers out (note 4)	-	-	(1,163,508)	-	(1,163,508)
Total other financing sources (uses)	5,989	1,163,508	(1,163,508)	-	5,989
Net change in fund balances	1,205,608	586,299	(1,816,232)	11,894	(12,431)
Fund balances beginning of year, as restated (note 15)	272,555	100,513	7,358,838	110,035	7,841,941
Fund balances end of year	\$ <u>1,478,163</u>	\$ <u>686,812</u>	\$ <u>5,542,606</u>	\$ <u>121,929</u>	\$ <u>7,829,510</u>

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2011

Net change in fund balances - total governmental funds \$ (12,431)

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Expenditures for capital assets	\$ 1,934,938	
Depreciation expense	<u>(692,358)</u>	1,242,580

Income surtax revenue not received until several months after the District's fiscal year end is not considered available revenue in the governmental funds and is deferred. It is, however, recorded as revenue in the Statement of Activities. (6,779)

Repayment of long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 675,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. (72,170)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	(10,988)	
Net OPEB liability	<u>(5,000)</u>	<u>(15,988)</u>

Change in net assets of governmental activities \$ 1,810,212

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF NET ASSETS  
 PROPRIETARY FUNDS  
 June 30, 2011

	<u>Nonmajor Enterprise Funds</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 106,905
Inventories	3,199
Capital assets, net of accumulated depreciation (note 5)	<u>130,816</u>
Total assets	<u>240,920</u>
<b>Liabilities</b>	
Accounts payable	796
Salaries and benefits payable	11,830
Interfund payable (note 3)	17,120
Deferred revenue	<u>10,795</u>
Total liabilities	<u>40,541</u>
<b>Net Assets</b>	
Invested in capital assets	130,816
Unrestricted	<u>69,563</u>
Total net assets	<u>\$ 200,379</u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	<u>Nonmajor Enterprise Funds</u>
Operating revenues:	
Local sources:	
Charges for services	\$ <u>618,950</u>
Operating expenses:	
Support services:	
Administration services	17,452
Non-instructional programs	<u>758,638</u>
	<u>776,090</u>
Operating loss	(157,140)
Non-operating revenues:	
Interest on investments	52
Contributions	138
State sources	5,289
Federal sources	<u>163,903</u>
Total non-operating revenues	<u>169,382</u>
Change in net assets	12,242
Net assets beginning of year	<u>188,137</u>
Net assets end of year	\$ <u><u>200,379</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	Nonmajor Enterprise Funds
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 473,181
Cash received from miscellaneous operating activities	145,233
Cash payments to employees for services	(342,312)
Cash payments to suppliers for goods or services	(408,068)
Net cash used by operating activities	<u>(131,966)</u>
Cash flows from non-capital financing activities:	
Contributions received	138
State grants received	5,289
Federal grants received	154,143
Net cash provided by non-capital financing activities	<u>159,570</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,990)</u>
Cash flows from investing activities:	
Interest on investments	<u>52</u>
Net increase in cash and cash equivalents	23,666
Cash and cash equivalents beginning of year	<u>83,239</u>
Cash and cash equivalents end of year	<u>\$ 106,905</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2011

	<u>Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (157,140)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	18,457
Commodities used	9,760
Decrease in inventories	81
(Decrease) in accounts payable	(1,059)
Increase in salaries and benefits payable	2,294
(Decrease) in interfund payable	(3,823)
(Decrease) in deferred revenue	<u>(536)</u>
Net cash used by operating activities	<u>\$ (131,966)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$9,760 of federal commodities.

See notes to financial statements.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2011

	Private Purpose Trust	
	<u>Scholarship</u>	<u>Agency</u>
Assets:		
Cash and pooled investments	\$ <u>934</u>	\$ <u>5,201</u>
Liabilities:		
Accounts payable	-	311
Other payables	<u>-</u>	<u>4,890</u>
Total liabilities	<u>-</u>	<u>5,201</u>
Net assets:		
Reserved for scholarships	\$ <u><u>934</u></u>	\$ <u><u>-</u></u>

See notes to financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
Year Ended June 30, 2011

	<u>Private Purpose Trust</u>	<u>Scholarship</u>
Additions:		
Local sources:		
Gifts and contributions	\$ 1,000	
Interest	<u>6</u>	
Total additions	<u>1,006</u>	
Deductions:		
Instruction:		
Scholarships awarded		<u>1,000</u>
Change in net assets		6
Net assets beginning of year		<u>928</u>
Net assets end of year	\$	<u><u>934</u></u>
See notes to financial statements.		

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 1. Summary of Significant Accounting Policies

Mount Vernon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the City of Mount Vernon, Iowa, and agricultural territory in Johnson, Jones, and Linn Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Mount Vernon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the District. Mount Vernon Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

The District appoints members of the Mount Vernon School Foundation Board, which is considered a related organization.

#### B. Basis of Presentation

District-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Projects Fund accounts.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following proprietary funds:

The District's enterprise funds are the School Nutrition Fund, Daycare Fund, and Summer Daycare Fund. These funds are used to account for the food service, daycare, and summer daycare operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements with restrictions of income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting

The District-wide financial statements and the proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost, and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current year property tax receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the District-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 1. Summary of Significant Accounting Policies (continued)

#### D. Assets, Liabilities and Fund Equity (continued)

**Income Surtax Receivable** – Income surtax budgeted for the fiscal year ended June 30, 2011 will not be received by the District until several months after the fiscal year end. Accordingly, income surtax is recorded as a receivable and included in deferred revenue on the modified accrual basis for the governmental funds. For the District-wide statements, on the Statement of Activities the income surtax revenue is recognized.

**Interfund Receivables and Payables** – During the course of its operations, the District may have certain transactions between funds or pooled cash balances. To the extent that these transactions between funds had not been paid or received as of June 30, 2011, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

**Due From Other Governments** – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

**Inventories** – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture, and equipment, are reported in the applicable governmental or business-type activities columns in the District-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,500
Buildings	2,500
Improvements other than buildings	2,500
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-12 years



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets for governmental activities consists of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Deferred revenue for the proprietary funds and business-type activities consists of unearned meal revenues.

Long-term Liabilities – In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation and sick leave. The District's policy is not to reimburse for sick leave or vacation. Vacation can only be used by the employee in the year it is earned. The District has no compensated absences liability at June 30, 2011.

Fund Equity – In the governmental fund financial statements, fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in other classifications.

Restricted Net Assets – In the District-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 2. Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	\$ <u><u>5,674,122</u></u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

### Note 3. Interfund Receivables and Payables

At June 30, 2011, interfund receivables and payables consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Interfund balances between governmental funds:		
Other receivables:		
General	Special Revenue - Student Activity	\$ <u>2,314</u>
Interfund balances between governmental and proprietary funds:		
Other receivables:		
General	Enterprise - School Nutrition	<u>17,120</u>
Total		\$ <u><u>19,434</u></u>

The other receivable interfund balances are due to timing differences involved in payroll reimbursements between funds.

The balances between governmental funds are not included on the government-wide Statement of Net Assets. The balances between governmental and proprietary funds have been eliminated on the face of the government-wide Statement of Net Assets.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 4. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	\$ <u>1,163,508</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 5. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	<u>Balance Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance End of Year</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 358,137	\$ -	\$ -	\$ 358,137
Construction in progress	812,010	1,588,458	1,384,116	1,016,352
Total capital assets not being depreciated	<u>1,170,147</u>	<u>1,588,458</u>	<u>1,384,116</u>	<u>1,374,489</u>
Capital assets being depreciated:				
Buildings	19,738,664	1,458,802	-	21,197,466
Improvements other than buildings	772,692	3,815	-	776,507
Furniture and equipment	2,258,864	267,979	310,723	2,216,120
Total capital assets being depreciated	<u>22,770,220</u>	<u>1,730,596</u>	<u>310,723</u>	<u>24,190,093</u>
Less accumulated depreciation for:				
Buildings	3,081,999	416,933	-	3,498,932
Improvements other than buildings	523,214	17,905	-	541,119
Furniture and equipment	1,835,791	257,520	310,723	1,782,588
Total accumulated depreciation	<u>5,441,004</u>	<u>692,358</u>	<u>310,723</u>	<u>5,822,639</u>
Total capital assets being depreciated, net	<u>17,329,216</u>	<u>1,038,238</u>	<u>-</u>	<u>18,367,454</u>
Governmental activities capital assets, net	<u>\$ 18,499,363</u>	<u>\$ 2,626,696</u>	<u>\$ 1,384,116</u>	<u>\$ 19,741,943</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 5. Capital Assets (continued)

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Furniture and equipment	\$ 237,335	\$ 3,990	\$ 18,934	\$ 222,391
Less accumulated depreciation	<u>92,052</u>	<u>18,457</u>	<u>18,934</u>	<u>91,575</u>
Business-type activities capital assets, net	<u>\$ 145,283</u>	<u>\$ (14,467)</u>	<u>\$ -</u>	<u>\$ 130,816</u>

Depreciation expense was charged by the District to the following functions:

Governmental activities:

Instruction	\$ 111,492
Support services:	
Instructional staff	68,673
Administration	21,086
Operation and maintenance of plant services	15,026
Transportation	<u>51,628</u>
	<u>267,905</u>
Unallocated depreciation	<u>424,453</u>
Total governmental activities depreciation expense	<u>\$ 692,358</u>

Business-type activities:

Food service operations	<u>\$ 18,457</u>
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MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
Early retirement	\$ 211,183	\$ 42,047	\$ 31,059	\$ 222,171	\$ 88,549
General obligation bonds	6,960,000	-	375,000	6,585,000	390,000
Revenue bonds	8,685,000	-	-	8,685,000	510,000
Energy loan notes	375,000	-	55,000	320,000	60,000
Capital loan notes	245,000	-	245,000	-	-
Net OPEB liability	6,000	5,000	-	11,000	-
Total	\$ 16,482,183	\$ 47,047	\$ 706,059	\$ 15,823,171	\$ 1,048,549

Early Retirement

The District offers a voluntary early retirement plan to its certified employees, up to a maximum of two participants for the year ended June 30, 2011. Eligible employees must be at least age fifty-five on or before August 1, 2011. Employees must complete an application which is required to be approved by the Board of Education.

The early retirement benefit for each eligible teacher is equal to 35% of the employee's base salary calculated by using the current year regular salary schedule plus extra pay on the extra pay schedule, but not including the school benefit or teacher quality pay. Early retirement benefits for teachers will be paid in three annual installments in September. Early retirement benefits for administrators under a previous plan will be paid in either a lump sum payment in July or in three annual installments in July.

At June 30, 2011, the District has obligations to ten participants with a total liability of \$222,171. Actual early retirement payments during the year ended June 30, 2011 totaled \$231,423. The long-term portion of early retirement is recorded as a long-term liability of the Governmental Activities in the District-wide financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

General Obligation Bonds

Details of the District's June 30, 2011 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	4.50 %	\$ 390,000	\$ 295,676	\$ 685,676
2013	4.50	405,000	278,126	683,126
2014	4.50	425,000	259,900	684,900
2015	4.10	445,000	240,776	685,776
2016	4.20	460,000	222,530	682,530
2017	4.25	480,000	203,210	683,210
2018	4.30	500,000	182,810	682,810
2019	4.40	520,000	161,310	681,310
2020	4.50	540,000	138,430	678,430
2021	4.60	565,000	114,130	679,130
2022	4.70	590,000	88,140	678,140
2023	4.75	620,000	60,410	680,410
2024	4.80	645,000	30,960	675,960
		<u>\$ 6,585,000</u>	<u>\$ 2,276,408</u>	<u>\$ 8,861,408</u>

Revenue Bonds

In the year ended June 30, 2010, the District defeased certain revenue bonds by placing part of the proceeds of new bonds in escrow to provide for all future debt service payments on the old bonds until the July 1, 2013 call date. Accordingly, the escrow account assets and the liability for the defeased bonds are not included in the District's financial statements. At June 30, 2011, \$2,365,000 of bonds outstanding are considered defeased.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 6. Long-Term Liabilities (continued)

Revenue Bonds (continued)

Details of the District's June 30, 2011 school infrastructure sales, services and use tax revenue bonded indebtedness are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	2.000 %	\$ 510,000	\$ 325,760	\$ 835,760
2013	2.000	525,000	315,410	840,410
2014	2.000	320,000	306,960	626,960
2015	3.000	330,000	298,810	628,810
2016	3.000	340,000	288,760	628,760
2017	3.000	355,000	278,335	633,335
2018	3.400	370,000	266,720	636,720
2019	4.000	380,000	252,830	632,830
2020	4.000	400,000	237,230	637,230
2021	4.000	415,000	220,930	635,930
2022	4.100	435,000	203,713	638,713
2023	4.200	455,000	185,241	640,241
2024	4.300	475,000	165,473	640,473
2025	4.400	495,000	144,370	639,370
2026	4.500	520,000	121,780	641,780
2027	4.625	545,000	97,477	642,477
2028	4.625	575,000	71,577	646,577
2029	4.700	605,000	44,063	649,063
2030	4.700	635,000	14,923	649,923
		<u>\$ 8,685,000</u>	<u>\$ 3,840,362</u>	<u>\$ 12,525,362</u>

The District pledged future statewide sales and services tax revenues to repay the \$8,685,000 bonds issued in March 2010. The bonds were issued for the purposes of refunding the June 2008 revenue bonds and financing various building renovation projects. The bonds are payable solely from the proceeds of the statewide sales and services tax revenues received by the District and are payable through 2029. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require approximately 60 to 85 percent of the statewide sales and services tax revenues. The total principal and interest remaining to be paid on the notes is \$12,525,362. For the current year, interest of \$256,417 was paid on the bonds and total statewide sales and services tax revenues were \$988,924.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 6. Long-Term Liabilities (continued)

#### Revenue Bonds (continued)

The resolution providing for the issuance of the school infrastructure sales, services and use tax revenue bonds includes the following provisions:

- a) \$828,909 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Fund to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Fund. \$2,942,870 of the proceeds shall be deposited to an escrow account to advance refund the June 2008 revenue bonds. The balance of the proceeds shall be deposited to the Project Fund.
- b) All proceeds from the statewide sales and services tax shall be placed in a Revenue Fund.
- c) Sufficient monthly deposits amounting to one twelfth of the next principal payment and one sixth of the next interest payment shall be made to the Sinking Fund for the purpose of making the bond principal and interest payments when due.
- d) Any monies remaining in the Revenue Fund after the required transfer to the Sinking Fund may be transferred to the Project Fund to be used for any lawful purpose.

#### Energy Loan Notes

Details of the District's June 30, 2011 energy loan notes are as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2012	3.65 %	\$ 60,000	\$ 12,242	\$ 72,242
2013	3.75	60,000	10,053	70,053
2014	3.85	65,000	7,802	72,802
2015	3.90	65,000	5,300	70,300
2016	3.95	70,000	2,765	72,765
		<u>\$ 320,000</u>	<u>\$ 38,162</u>	<u>\$ 358,162</u>

### Note 7. Other Postemployment Benefits (OPEB)

Plan Description – The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 26 active and 4 retired members in the plan.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.



# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 7. Other Postemployment Benefits (OPEB) (continued)

**Funding Policy** – The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefit plan on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation** – The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 17,200
Interest on net OPEB obligation	100
Adjustment to annual required contribution	<u>(1,300)</u>
Annual OPEB cost	16,000
Contributions made	<u>(11,000)</u>
Increase in net OPEB obligation	5,000
Net OPEB obligation beginning of year	<u>6,000</u>
Net OPEB obligation end of year	<u>\$ 11,000</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the District contributed \$11,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$ 16,000	68.8%	\$ 11,000

**Funded Status and Funding Progress** – As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$192,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$192,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,376,000, and the ratio of the UAAL to covered payroll was 14.0%. As of June 30, 2011, there were no trust fund assets.

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

June 30, 2011

### Note 7. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table projected to 2000, applied on a 2/3 female, 1/3 male basis.

The UAAL is being amortized as a level dollar cost over the service of the group on a closed basis over 30 years.

### Note 8. Short-Term Debt Activity

During the year ended June 30, 2011, the District entered into short-term interfund loans from the Capital Projects Fund to the General Fund and the Special Revenue, Management Levy Fund. The loans were necessary to provide temporary financing during periods of low cash flows due to timing differences between expenditures and expected property tax revenues. The loans included interest at 0.25%.

A summary of the short-term debt activity for the year ended June 30, 2011 is as follows:

	Balance Beginning of Year	Interfund Loans Received	Interfund Loans Repaid	Balance End of Year
General Fund	\$ -	\$ 550,000	\$ 550,000	\$ -
Management Levy Fund	\$ -	\$ 130,000	\$ 130,000	\$ -

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 9. Operating Leases

The District is obligated under three leases for computers and related equipment that are accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, are not reflected on the District's Statement of Net Assets. The agreements provide for monthly lease payments during the term of the leases.

The total lease payments under the lease agreements are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 20,410
2013	9,556
2014	<u>1,485</u>
	<u>\$ 11,041</u>

Total payments on operating lease agreements for the year ended June 30, 2011 were \$56,023.

Note 10. Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.50% of their annual covered salary and the District is required to contribute 6.95% of annual covered payroll for the year ended June 30, 2011. Contribution requirements are established by State statute. The District's contributions to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$505,722, \$483,983, and \$453,525, respectively, equal to the required contributions for each year.

Note 11. Risk Management

Mount Vernon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 12. Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$423,338 for the year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Note 13. Categorical Funding

The District's fund balance restricted for categorical funding at June 30, 2011 is comprised of the following programs:

<u>Program</u>	<u>Amount</u>
Beginning teacher mentoring and induction	\$ 608
Salary improvement program	49,056
Professional development	23,991
Market factor incentives	<u>1,728</u>
Total	<u>\$ 75,383</u>

Note 14. Construction Commitments

The District has entered into various contracts totaling \$5,226,475 for elementary school renovations. As of June 30, 2011, costs of \$586,876 had been incurred against the contracts. The balance of \$4,639,599 remaining at June 30, 2011 will be paid as work on the project progresses.

Note 15. Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ 7,209,030	\$ 149,808
Change in fund type classification per implementation of GASB Statement No. 54	<u>149,808</u>	<u>(149,808)</u>
Balances July 1, 2010, as restated	<u>\$ 7,358,838</u>	<u>\$ -</u>

## Required Supplementary Information

# MOUNT VERNON COMMUNITY SCHOOL DISTRICT

## Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds

### Required Supplementary Information

Year Ended June 30, 2011

	Governmental Funds - Actual	Proprietary Funds - Actual	Total Actual	Budgeted Amounts Original and Final	Final to Actual Variance
<b>REVENUES:</b>					
Local sources	\$ 7,725,370	\$ 619,140	\$ 8,344,510	\$ 8,101,798	\$ 242,712
State sources	5,789,536	5,289	5,794,825	6,190,945	(396,120)
Federal sources	631,863	163,903	795,766	698,473	97,293
Total revenues	14,146,769	788,332	14,935,101	14,991,216	(56,115)
<b>EXPENDITURES/EXPENSES:</b>					
Instruction	7,203,900	-	7,203,900	7,662,903	459,003
Support services	3,530,847	17,452	3,548,299	4,117,471	569,172
Non-instructional programs	-	758,638	758,638	826,573	67,935
Other expenditures	3,430,442	-	3,430,442	6,072,058	2,641,616
Total expenditures/expenses	14,165,189	776,090	14,941,279	18,679,005	3,737,726
Excess (deficiency) of revenues over (under) expenditures/ expenses	(18,420)	12,242	(6,178)	(3,687,789)	3,681,611
Other financing sources, net	5,989	-	5,989	-	5,989
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses	(12,431)	12,242	(189)	(3,687,789)	3,687,600
Balance beginning of year	7,841,941	188,137	8,030,078	11,277,344	(3,247,266)
Balance end of year	\$ 7,829,510	\$ 200,379	\$ 8,029,889	\$ 7,589,555	\$ 440,334

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING  
Year Ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except internal service, private-purpose trust and agency funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the accrual basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amounts budgeted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
(In Thousands)

Required Supplementary Information  
Year Ended June 30, 2011

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability (AAL) ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a Percentage of Covered Payroll ( (b-a)/c )
2010	July 1, 2009	\$ -	\$ 192	\$ 192	0.0%	\$ 1,963	9.8%
2011	July 1, 2009	-	192	192	0.0%	1,376	14.0%

See note 7 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

See accompanying independent auditor's report.



## Other Supplementary Information

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2011

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
<b>Assets</b>			
Cash and pooled investments	\$ 34,797	\$ 98,446	\$ 133,243
Receivables:			
Property tax:			
Current year	1,444	-	1,444
Succeeding year	255,709	-	255,709
<b>Total assets</b>	<b>\$ 291,950</b>	<b>\$ 98,446</b>	<b>\$ 390,396</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 2,589	\$ 7,855	\$ 10,444
Interfund payable	-	2,314	2,314
Deferred revenue:			
Succeeding year property tax	255,709	-	255,709
<b>Total liabilities</b>	<b>258,298</b>	<b>10,169</b>	<b>268,467</b>
<b>Fund balances:</b>			
Restricted for:			
Management levy purposes	33,652	-	33,652
Student activities	-	88,277	88,277
<b>Total fund balances</b>	<b>33,652</b>	<b>88,277</b>	<b>121,929</b>
<b>Total liabilities and fund balances</b>	<b>\$ 291,950</b>	<b>\$ 98,446</b>	<b>\$ 390,396</b>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2011

	Special Revenue		
	Management	Student	
	Levy	Activity	Total
Revenues:			
Local sources:			
Local tax	\$ 132,031	\$ -	\$ 132,031
Other	12,479	303,935	316,414
State sources	59	-	59
Total revenues	<u>144,569</u>	<u>303,935</u>	<u>448,504</u>
Expenditures:			
Current:			
Instruction	2,589	277,440	280,029
Support services:			
Administration services	145,607	-	145,607
Transportation services	10,974	-	10,974
Total expenditures	<u>159,170</u>	<u>277,440</u>	<u>436,610</u>
Excess (deficiency) of revenues over (under) expenditures	(14,601)	26,495	11,894
Fund balances beginning of year	<u>48,253</u>	<u>61,782</u>	<u>110,035</u>
Fund balances end of year	<u>\$ 33,652</u>	<u>\$ 88,277</u>	<u>\$ 121,929</u>

See accompanying independent auditor's report.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS ACCOUNTS  
 June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
<b>Assets</b>			
Cash and pooled investments	\$ 5,742,663	\$ 18,324	\$ 5,760,987
Receivables:			
Property tax:			
Current year	-	4,485	4,485
Succeeding year	-	406,806	406,806
Due from other governments	190,961	-	190,961
<b>Total assets</b>	<b>\$ 5,933,624</b>	<b>\$ 429,615</b>	<b>\$ 6,363,239</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 413,827	\$ -	\$ 413,827
Deferred revenue:			
Succeeding year property tax	-	406,806	406,806
<b>Total liabilities</b>	<b>413,827</b>	<b>406,806</b>	<b>820,633</b>
<b>Fund balances:</b>			
Restricted for:			
Debt service	828,909	-	828,909
School infrastructure	4,690,888	-	4,690,888
Physical plant and equipment	-	22,809	22,809
<b>Total fund balances</b>	<b>5,519,797</b>	<b>22,809</b>	<b>5,542,606</b>
<b>Total liabilities and fund balances</b>	<b>\$ 5,933,624</b>	<b>\$ 429,615</b>	<b>\$ 6,363,239</b>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS ACCOUNTS  
 Year Ended June 30, 2011

	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ 988,924	\$ 387,408	\$ 1,376,332
Other	21,913	31,550	53,463
State sources	-	166	166
Total revenues	<u>1,010,837</u>	<u>419,124</u>	<u>1,429,961</u>
Expenditures:			
Current:			
Support services:			
Instructional staff services	183,759	-	183,759
Administration services	-	86,283	86,283
Transportation services	-	74,353	74,353
Other expenditures:			
Facilities acquisition	1,606,160	132,034	1,738,194
Long term debt:			
Interest and fiscal charges	96	-	96
Total expenditures	<u>1,790,015</u>	<u>292,670</u>	<u>2,082,685</u>
Excess (deficiency) of revenues over (under) expenditures	(779,178)	126,454	(652,724)
Other financing uses:			
Interfund transfers out	<u>(910,055)</u>	<u>(253,453)</u>	<u>(1,163,508)</u>
Net change in fund balances	(1,689,233)	(126,999)	(1,816,232)
Fund balances beginning of year, as restated	<u>7,209,030</u>	<u>149,808</u>	<u>7,358,838</u>
Fund balances end of year	<u>\$ 5,519,797</u>	<u>\$ 22,809</u>	<u>\$ 5,542,606</u>

See accompanying independent auditor's report.

## MOUNT VERNON COMMUNITY SCHOOL DISTRICT

 COMBINING SCHEDULE OF NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 June 30, 2011

	School Nutrition	Daycare	Summer Daycare	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 88,344	\$ 7,188	\$ 11,373	\$ 106,905
Inventories	3,199	-	-	3,199
Capital assets, net of accumulated depreciation	130,816	-	-	130,816
Total assets	<u>222,359</u>	<u>7,188</u>	<u>11,373</u>	<u>240,920</u>
<b>Liabilities</b>				
Accounts payable	243	117	436	796
Salaries and benefits payable	-	312	11,518	11,830
Interfund payable	17,120	-	-	17,120
Deferred revenue	10,795	-	-	10,795
Total liabilities	<u>28,158</u>	<u>429</u>	<u>11,954</u>	<u>40,541</u>
<b>Net Assets</b>				
Invested in capital assets	130,816	-	-	130,816
Unrestricted	<u>63,385</u>	<u>6,759</u>	<u>(581)</u>	<u>69,563</u>
Total net assets	<u>\$ 194,201</u>	<u>\$ 6,759</u>	<u>\$ (581)</u>	<u>\$ 200,379</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
 NONMAJOR ENTERPRISE FUNDS  
 Year Ended June 30, 2011

	School Nutrition	Daycare	Summer Daycare	Total
Operating revenues:				
Local sources:				
Charges for services	\$ 475,402	\$ 95,490	\$ 48,058	\$ 618,950
Operating expenses:				
Support services:				
Administration services	17,452	-	-	17,452
Non-instructional programs	613,162	97,131	48,345	758,638
	<u>630,614</u>	<u>97,131</u>	<u>48,345</u>	<u>776,090</u>
Operating loss	(155,212)	(1,641)	(287)	(157,140)
Non-operating revenues:				
Interest on investments	-	52	-	52
Contributions	138	-	-	138
State sources	5,289	-	-	5,289
Federal sources	163,903	-	-	163,903
Total non-operating revenues	<u>169,330</u>	<u>52</u>	<u>-</u>	<u>169,382</u>
Change in net assets	14,118	(1,589)	(287)	12,242
Net assets beginning of year	<u>180,083</u>	<u>8,348</u>	<u>(294)</u>	<u>188,137</u>
Net assets end of year	<u>\$ 194,201</u>	<u>\$ 6,759</u>	<u>\$ (581)</u>	<u>\$ 200,379</u>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2011

	School Nutrition	Daycare	Summer Daycare	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 473,181	\$ -	\$ -	\$ 473,181
Cash received from miscellaneous operating activities	1,685	95,490	48,058	145,233
Cash payments to employees for services	(228,841)	(78,378)	(35,093)	(342,312)
Cash payments to suppliers for goods or services	(378,512)	(19,133)	(10,423)	(408,068)
Net cash provided by (used by) operating activities	(132,487)	(2,021)	2,542	(131,966)
Cash flows from non-capital financing activities:				
Contributions received	138	-	-	138
State grants received	5,289	-	-	5,289
Federal grants received	154,143	-	-	154,143
Net cash provided by non-capital financing activities	159,570	-	-	159,570
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(3,990)	-	-	(3,990)
Cash flows from investing activities:				
Interest on investments	-	52	-	52
Net increase (decrease) in cash and cash equivalents	23,093	(1,969)	2,542	23,666
Cash and cash equivalents beginning of year	65,251	9,157	8,831	83,239
Cash and cash equivalents end of year	\$ 88,344	\$ 7,188	\$ 11,373	\$ 106,905



MOUNT VERNON COMMUNITY SCHOOL DISTRICT

COMBINING SCHEDULE OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
Year Ended June 30, 2011

	School Nutrition	Daycare	Summer Daycare	Total
Reconciliation of operating loss to net cash provided by (used by) operating activities:				
Operating loss	\$ (155,212)	\$ (1,641)	\$ (287)	\$ (157,140)
Adjustments to reconcile operating loss to net cash provided by (used by) operating activities:				
Depreciation	18,457	-	-	18,457
Commodities used	9,760	-	-	9,760
Decrease in inventories	81	-	-	81
Increase (decrease) in accounts payable	(1,214)	117	38	(1,059)
Increase (decrease) in salaries and benefits payable	-	(497)	2,791	2,294
(Decrease) in interfund payable	(3,823)	-	-	(3,823)
(Decrease) in deferred revenue	(536)	-	-	(536)
Net cash provided by (used by) operating activities	\$ <u>(132,487)</u>	\$ <u>(2,021)</u>	\$ <u>2,542</u>	\$ <u>(131,966)</u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received \$9,760 of federal commodities.

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
District:				
Interest on Checking	\$ -	\$ 143	\$ 143	\$ -
High School:				
Drama & Speech	-	5,219	5,219	-
Musical	-	8,103	6,097	2,006
Vocal	108	1,581	1,689	-
Band	407	1,535	1,619	323
Fine Arts	3,367	8,940	9,771	2,536
Miscellaneous Athletics	-	5,750	5,750	-
Cross Country Co-Ed	-	2,356	2,356	-
Tennis Co-Ed	-	861	861	-
Boys Basketball	-	10,419	9,172	1,247
Boys Football	3,588	21,724	19,272	6,040
Boys Soccer	-	3,485	3,485	-
Boys Baseball	-	7,471	7,471	-
Boys Track	-	3,572	3,572	-
Boys Golf	-	1,120	1,120	-
Boys Wrestling	-	6,489	6,489	-
Girls Basketball	-	19,928	18,244	1,684
Girls Volleyball	150	13,230	13,380	-
Girls Soccer	-	5,004	5,004	-
Girls Softball	-	15,849	15,849	-
Girls Track	-	8,084	8,084	-
Fundraising Football	-	6,845	1,568	5,277
Fundraising Boys Soccer	-	800	-	800
Fundraising Girls Soccer	-	250	-	250
Pop & Juice	-	2,401	2,401	-
Art Club	1,783	2,945	3,418	1,310
Building Construction	-	2,208	2,145	63
Student Activities Group	-	1,038	643	395
Strings	313	5,575	5,163	725
Uniform/Robe Rental	-	714	714	-
Electric Vehicle Team	324	9,280	7,771	1,833
Academic Decathlon	100	-	-	100
Student Council	350	3,017	2,358	1,009
Chess Club	351	-	-	351
Yearbook	9,047	21,131	19,872	10,306
Class of 2010	426	-	-	426
Class of 2011	245	-	245	-
Class of 2012	1,500	1,830	2,944	386
Class of 2013	-	1,500	-	1,500

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
High School (continued):				
Cheerleading	\$ 3,217	\$ 5,142	\$ 5,962	\$ 2,397
Fall Play	949	1,905	960	1,894
Dance Group	1,134	573	-	1,707
Robotics	4,100	4,074	7,429	745
Cyber Defense Club	237	265	-	502
Garden Club	28	184	-	212
Archery Club	-	5,913	5,913	-
Student Council Project	1	392	392	1
Water Polo Club	-	250	231	19
Thespian Society Club	-	827	648	179
Speed and Agility Club	-	8,742	2,885	5,857
Activity Fund	-	270	270	-
Scholarship Fund	447	3,621	3,600	468
German Trip	240	-	-	240
Spanish Trip	767	4,676	4,862	581
Library Club	1,648	1,718	1,749	1,617
Band Trip	238	-	-	238
Special Activities Group Fees	-	1,735	1,394	341
State Academic Decathlon	-	1,104	1,104	-
Middle School:				
Band	-	1,046	1,046	-
Boys Basketball	-	1,718	1,718	-
Boys Football	-	3,425	3,425	-
Boys Track	-	1,174	1,174	-
Boys Wrestling	-	728	728	-
Girls Basketball	-	1,295	1,295	-
Girls Volleyball	-	2,455	2,455	-
Girls Softball	-	752	752	-
Girls Track	-	751	751	-
Activities Group Resale	443	-	-	443
Student Activities Group	768	7,664	7,842	590
8th Grade Musical	1,195	436	482	1,149
Strings	20	202	222	-
Student Council	-	1,847	1,042	805
Yearbook	4,755	5,420	4,581	5,594
Science Olympiad	1,279	8,490	8,146	1,623
Construction	2,264	3,356	5,311	309
Book Club	-	425	301	124
Special Activities Group Fees	439	-	-	439
Trips	2,344	2,688	-	5,032

MOUNT VERNON COMMUNITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS  
Year Ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Middle School (continued):				
Birthday Books	\$ -	\$ 3,701	\$ 3,607	\$ 94
Elementary:				
Student Activities Group	11,881	3,185	723	14,343
Strings	453	176	254	375
We Tap	-	803	-	803
Trips	612	-	297	315
Birthday Books	264	410	-	674
Total	\$ 61,782	\$ 303,935	\$ 277,440	\$ 88,277

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
 SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES  
 AGENCY FUND  
 Year Ended June 30, 2011

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 26,040	\$ 61,213	\$ 82,052	\$ 5,201
Accounts receivable	320	-	320	-
	<u>26,360</u>	<u>61,213</u>	<u>82,372</u>	<u>5,201</u>
<b>Total assets</b>	<b>\$ 26,360</b>	<b>\$ 61,213</b>	<b>\$ 82,372</b>	<b>\$ 5,201</b>
<b>Liabilities</b>				
Accounts payable	\$ 899	\$ 311	\$ 899	\$ 311
Other payables	25,461	60,902	81,473	4,890
	<u>26,360</u>	<u>61,213</u>	<u>82,372</u>	<u>5,201</u>
<b>Total liabilities</b>	<b>\$ 26,360</b>	<b>\$ 61,213</b>	<b>\$ 82,372</b>	<b>\$ 5,201</b>

See accompanying independent auditor's report.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS  
FOR THE LAST SEVEN YEARS

	Modified Accrual Basis Years Ended June 30,			
	2011	2010	2009	2008
Revenues:				
Local sources:				
Local tax	\$ 5,409,382	\$ 4,917,569	\$ 4,596,588	\$ 4,585,983
Tuition	1,690,633	1,441,273	1,470,733	1,400,687
Other	625,355	503,031	575,068	595,915
State sources	5,789,536	4,934,704	5,701,845	5,292,122
Federal sources	631,863	1,120,415	562,174	432,670
Total revenues	<u>\$ 14,146,769</u>	<u>\$ 12,916,992</u>	<u>\$ 12,906,408</u>	<u>\$ 12,307,377</u>
Expenditures:				
Instruction	\$ 7,203,900	\$ 7,083,873	\$ 7,057,764	\$ 6,433,667
Support services:				
Student services	405,284	660,786	502,479	407,570
Instructional staff services	629,914	601,292	493,556	434,847
Administration services	1,381,318	1,459,404	1,353,748	1,138,812
Operation and maintenance of plant services	719,689	751,148	925,912	892,467
Transportation services	394,642	300,164	404,933	402,906
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	1,738,194	786,461	1,802,268	1,238,509
Long-term debt:				
Principal	675,000	1,040,000	630,000	600,000
Interest and fiscal charges	593,910	676,513	447,423	449,826
AEA flowthrough	423,338	408,485	372,851	346,567
Total expenditures	<u>\$ 14,165,189</u>	<u>\$ 13,768,126</u>	<u>\$ 13,990,934</u>	<u>\$ 12,345,171</u>

See accompanying independent auditor's report.

<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 3,434,909	\$ 3,230,451	\$ 3,048,884
1,306,157	1,203,706	1,228,175
909,387	879,232	556,514
4,793,250	4,519,836	4,496,276
261,517	550,467	146,445
<u>\$ 10,705,220</u>	<u>\$ 10,383,692</u>	<u>\$ 9,476,294</u>
\$ 6,677,440	\$ 6,044,316	\$ 5,439,988
193,632	187,837	196,895
276,986	260,544	387,478
1,110,943	1,002,951	780,717
829,924	847,901	830,463
401,843	335,563	312,541
-	-	716
1,536,328	9,250,683	1,816,041
555,000	375,000	510,000
447,438	387,031	405,920
314,749	290,296	288,897
<u>\$ 12,344,283</u>	<u>\$ 18,982,122</u>	<u>\$ 10,969,656</u>

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Grantor / Program	CFDA Number	Grant Number	Expenditures
Direct:			
U. S. Department of Education: Safe and Drug-Free Schools and Communities - National Programs	84.184	FY 11	\$ <u>91,521</u>
U. S. Department of Health and Human Services: Drug-Free Communities Support Program Grants	93.276	1H79SP017158-01	<u>81,033</u>
Indirect:			
U. S. Department of Agriculture: Iowa Department of Education: Child Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 11	21,500
National School Lunch Program	10.555	FY 11	132,643
National School Lunch Program (non-cash)	10.555	FY 11	<u>9,760</u>
			<u>163,903</u>
U. S. Department of Education: Iowa Department of Education: Title I, Part A Cluster Programs:			
Title I Grants to Local Educational Agencies	84.010	4554SINA	2,500
Title I Grants to Local Educational Agencies	84.010	4554G	46,457
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY 10	<u>15,416</u>
			<u>64,373</u>
Improving Teacher Quality State Grants	84.367	FY 11	<u>20,347</u>
Grants for State Assessments and Related Activities	84.369	FY 11	<u>8,015</u>
State Fiscal Stabilization Fund Cluster Programs:			
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394	FY 11	54,637
ARRA - State Fiscal Stabilization Fund - Government Services, Recovery Act	84.397	FY 11	<u>48,733</u>
			<u>103,370</u>
Education Jobs Fund	84.410	FY 11	<u>207,606</u>



MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

<u>Grantor / Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect (continued):			
U. S. Department of Education (continued):			
Grant Wood Area Education Agency:			
Special Education - Grants to States	84.027	FY 11	\$ <u>52,779</u>
Career and Technical Education - Basic Grants to States	84.048	FY 11	<u>5,319</u>
Total			\$ <u><u>798,266</u></u>

Basis of Presentation –

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Mount Vernon Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Education of  
Mount Vernon Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Mount Vernon Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Mount Vernon Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Mount Vernon Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Mount Vernon Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mount Vernon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted a material instance of noncompliance described as II-A-11 in the accompanying Schedule of Findings and Questioned Costs and certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about Mount Vernon Community School District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and Mount Vernon, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Mount Vernon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Mount Vernon Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mount Vernon Community School District and other parties to whom Mount Vernon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Mount Vernon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa  
December 6, 2011

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education of  
Mount Vernon Community School District:

Compliance

We have audited Mount Vernon Community School District's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. Mount Vernon Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Mount Vernon Community School District's management. Our responsibility is to express an opinion on Mount Vernon Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Mount Vernon Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Mount Vernon Community School District's compliance with those requirements.

In our opinion, Mount Vernon Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of Mount Vernon Community School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Mount Vernon Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Mount Vernon Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. During our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Mount Vernon Community School District and other parties to whom Mount Vernon Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Oskaloosa, Iowa  
December 6, 2011

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit disclosed an instance of non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.410 – Education Jobs Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Mount Vernon Community School District qualified as a low-risk auditee.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part II: Findings Related to the Basic Financial Statements:

Instances of Non-Compliance:

II-A-11 Board Approval – We noted that the Board did not officially approve the computer lease agreements.

Recommendation – All contracts, including computer lease agreements, should be approved by the Board and documented in the minutes. The contracts should be signed by the Board President or other individual officially designated by the Board.

Response – We will make sure that all contracts are approved by the Board, properly documented in the minutes, and signed by the appropriate person.

Conclusion – Response accepted.

Internal Control Deficiencies:

No matters were reported.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

Part III: Findings and Questioned Costs for Federal Awards

Instances of Non-Compliance:

No matters were reported.

Internal Control Deficiencies:

No matters were reported.



MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-11 Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- IV-B-11 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-11 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-11 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-11 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-11 Board Minutes – Except as noted in comment II-A-11, no transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-11 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-11 Supplementary Weighting – No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-I-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-11 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-K-11 Categorical Funding – No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-11 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

MOUNT VERNON COMMUNITY SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting (continued):

IV-L-11    Statewide Sales and Services Tax (continued)

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$	7,209,030
Revenues:			
Sales tax revenues	\$	988,924	
Interest		<u>21,913</u>	1,010,837
Expenditures/transfers out:			
School infrastructure construction		1,606,160	
Equipment		183,759	
Other		96	
Transfers to other funds:			
Debt Service Fund		<u>910,055</u>	<u>2,700,070</u>
Ending balance		\$	<u><u>5,519,797</u></u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

IV-M-11    Financial Condition – At June 30, 2011, the Enterprise, Summer Daycare Fund had negative net assets of \$581.

Recommendation – The District needs to explore alternatives to restore the Summer Daycare Fund to a sound financial condition.

Response – We will investigate solutions to eliminate the Summer Daycare Fund deficit.

Conclusion – Response accepted.